

City of Hallandale Beach

Investment Performance Review
Quarter Ended March 31, 2009



Investment Advisors

Steven Alexander, CTP, CGFO, Managing Director
Mel Hamilton, Senior Managing Consultant
Gregg Manjerovic, CFA, Portfolio Manager
Rebecca Dole, Consultant

PFM Asset Management LLC

300 S. Orange Avenue, Suite 1170	One Keystone Plaza, Suite 300
Orlando, FL 32801	North Front & Market Streets
(407) 648-2208	Harrisburg, PA 17101-2044
(407) 648-1323 fax	717-232-2723
	717-233-6073 fax

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Executive Summary

PORTFOLIO STRATEGY

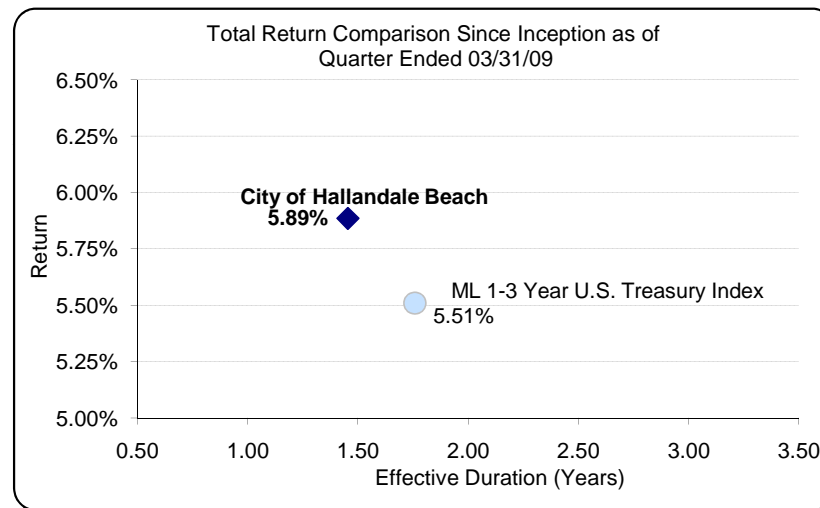
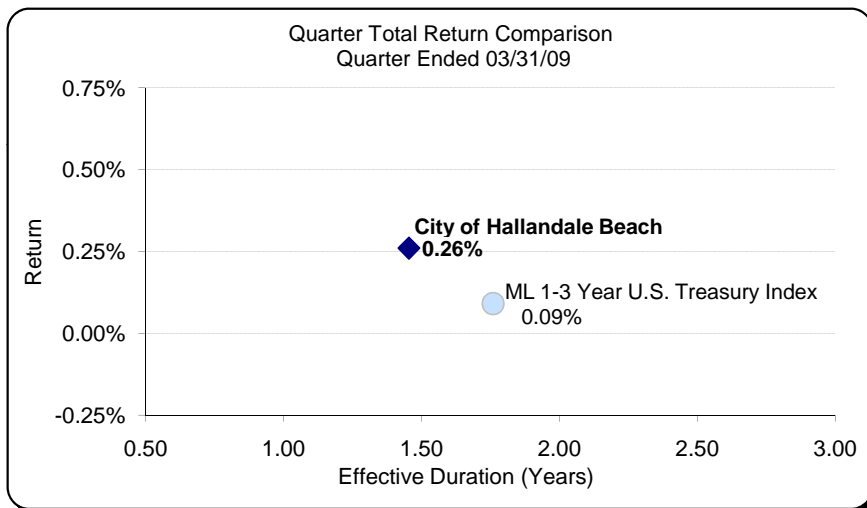
- During the quarter, market yields continued to hover near their historical lows. The White House, the Federal Reserve and the U.S. Treasury Department worked in concert in attempting to bring the U.S. economy out of recession. On February 13, 2009 Congress passed the American Recovery and Reinvestment Act – a nearly \$1 trillion economic stimulus plan. In March, the Fed announced plans to purchase up to \$300 billion of longer-term U.S. Treasury securities with the goal of influencing long-term rates, especially mortgage rates.
- During the quarter U.S. Treasury yields increased slightly from the record lows reached in January of 2009. The increase in yields pushed the Merrill Lynch 1-3 year U.S. Treasury benchmark returns negative for both January and February. The average yield of a 2-Year U.S. Treasury Notes over the quarter was 0.89%; this is 2.71% lower than the historical ten year average of 3.60%. The U.S. Treasury yield curve is steeply positive – the yields on longer dated Treasuries increased during the quarter due to an increase in Treasury issuance to fund government stimulus programs. As U.S. Treasuries move toward their long term averages over the intermediate term, they are likely to underperform other security types.
- The markets reacted to each new economic recovery plan in a capricious fashion. Market yields, which continued to trade at or near historical lows, were volatile throughout the quarter. For instance, yields on the 2-Year U.S. Treasury Note traded at a quarterly low of 0.71% on January 20th, reached a high of 1.09% on February 26th, and ended the quarter at 0.80%. During the quarter, the yield on the 2-year note moved 10% or greater from its previous market close on nine occasions compared to 41 trading days over the past ten years.
- The City's Investment Portfolio is of high credit quality and maintains adequate liquidity. The portfolio is invested entirely in Federal Agency, U.S. Treasury, Corporate Notes and FDIC guaranteed corporate securities. The securities in the portfolio are allocated among high quality issuers rated AAA, TSY, AA and A-1+. FDIC guaranteed corporate debt carries the full faith and credit of the United States government and are therefore rated AAA.
- The portfolio continued to overweight Federal Agencies. The yield spread between 2-year Agencies and Treasuries narrowed considerably by mid-quarter, which helped the portfolio, but then widened from that point to end the quarter nearly unchanged. However, the portfolio's overweighting to Agencies provided an income advantage to the portfolio, which allowed the portfolio to outperform its Merrill Lynch 1-3 Year U.S. Treasury Index by 17 basis points (0.17%). The portfolio returned 0.26% for the quarter versus the benchmarks' return of 0.09%.
- With yields trading at record low levels at the beginning of the quarter, the chance of a sharp increase in rates outweighed the probability of rates decreasing further. With this in mind, we employed a strategy of allowing the portfolio's duration to drift shorter during the quarter with the objective of insulating the portfolio's principle from market value losses caused by rate increases. At quarter end, the portfolio's duration stood at 1.45 years, which is 83% of the Merrill Lynch 1-3 Year U.S. Treasury Index. The benchmark ended the quarter at 1.76 years.
- We will continue our strategy of overweighting the Federal Agency sector. With a strong implicit backing of Agency debt by the government, Federal Agencies continue to add value over U.S. Treasury securities. The spread between 2-year Agencies and Treasuries ended the quarter at 67 basis points (0.67%) – this stands at almost double the average spread of 38 basis points (0.38%) over the past ten years. Additionally, we will continue to under-weight non-FDIC insured corporate securities. However, we will continue to use floating and fixed rate FDIC insured corporates for portfolio diversification.
- Even with the numerous plans put forth by the U.S. and foreign governments, economists are predicting a slow and lengthy recovery. Federal government spending will take months, if not years, to reach full effect, while consumer spending is likely to remain dormant for a long period. With this, it appears that the Fed will not change the Fed Funds target rate from its current target of 0.00 to 0.25%. Inflationary pressures have been low, which has allowed the Fed to maintain the target federal funds rate at its current level. However, with the increases in governmental spending for stimulus programs, inflationary pressures may rise in the near term.
- The Short Term portfolio's quarterly average yield to maturity at cost was 0.88% compared to 0.18% for the benchmark Merrill Lynch 3 month U.S. Treasury Bill Index. Short-term yields continue to trade at historically-low levels. During the quarter, we continued to invest in short-term commercial paper. These securities added value over U.S. Treasuries, which allowed the portfolio to outperform its Merrill Lynch 3-month U.S. Treasury Bill index by 70 basis points.
- We will continue our strategy of overweighting the Federal Agency sector. With a strong implicit backing of Agency debt by the government, Federal Agencies continue to add value over U.S. Treasury securities. We will continue to use commercial paper to further diversify the portfolio. These securities provide adequate liquidity while also adding a slight yield advantage over U.S. Treasury securities.

Investment Portfolio Performance

Total Portfolio Value^{1,2}		March 31, 2009	December 31, 2008
Market Value		\$30,679,283.77	\$31,385,772.22
Amortized Cost		\$30,062,371.57	\$30,473,388.88

Total Return^{1,2,3,4,5,6,7,8}	Quarterly Return March 31, 2009	Annualized Quarter	Last 12 Months	Last 24 Months	Since Inception December 31, 2005
Investment Portfolio	0.26%	1.06%	4.79%	6.58%	5.89%
Merril Lynch 1-3 Year U.S. Treasury Index	0.09%	0.35%	3.61%	6.26%	5.51%

Effective Duration(Years)⁴	March 31, 2009	December 31, 2008	Yields	March 31, 2009	December 31, 2008
Investment Portfolio	1.45	1.64	Yield at Market	1.50%	1.37%
Merril Lynch 1-3 Year U.S. Treasury Index	1.76	1.64	Yield at Cost	2.97%	3.28%
Portfolio Duration % of Benchmark Duration	83%	100%			

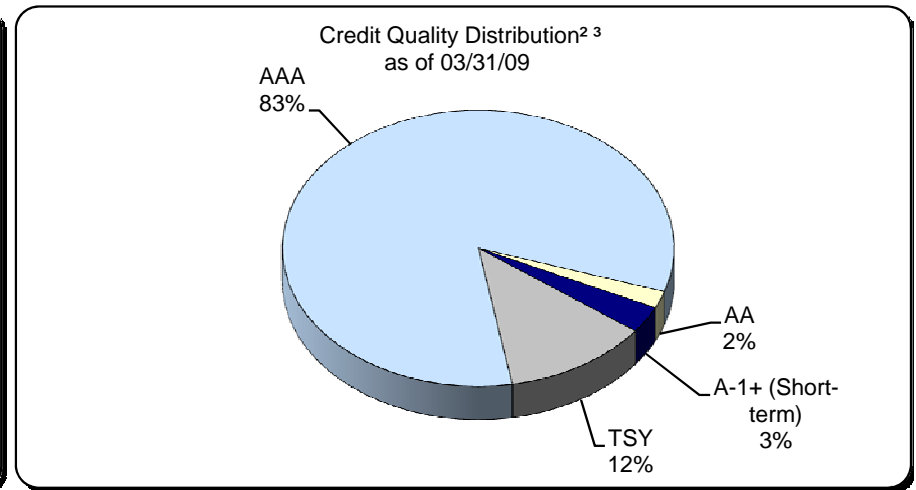
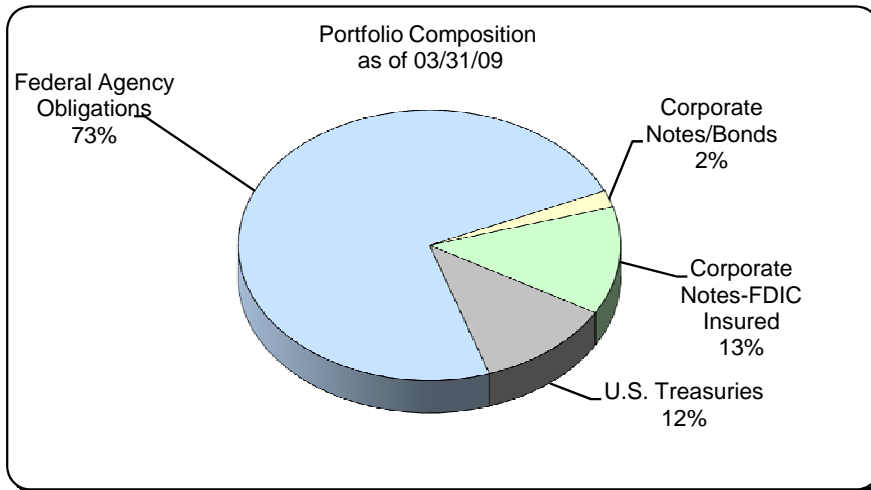


Notes:

1. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
2. End of quarter trade-date market values of portfolio holdings, including accrued interest.
3. Performance on trade date basis, gross (i.e., before fees), is in accordance with The CFA Institute's Global Investment Performance Standards (GIPS).
4. Merrill Lynch Indices provided by Bloomberg Financial Markets.
5. Quarterly returns are presented on both an unannualized and annualized basis. The annualized return assumes the quarterly return is compounded at the same rate for four quarters and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
6. Excludes money market fund/cash in performance and duration computations.
7. Returns presented for 12 months or longer are presented on an annual basis.
8. Past performance is not indicative of future results.

Investment Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2009</u>	<u>% of Portfolio</u>	<u>December 31, 2008</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$3,561,141.72	11.6%	\$4,680,336.30	14.9%
Federal Agencies	22,537,903.96	73.5%	19,840,835.54	63.2%
Commercial Paper	0.00	0.0%	1,343,982.53	4.3%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	615,672.46	2.0%	1,872,432.95	6.0%
Corporate Notes-FDIC Insured	3,964,565.63	12.9%	3,648,184.90	11.9%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$30,679,283.77	100.0%	\$31,385,772.22	100.3%

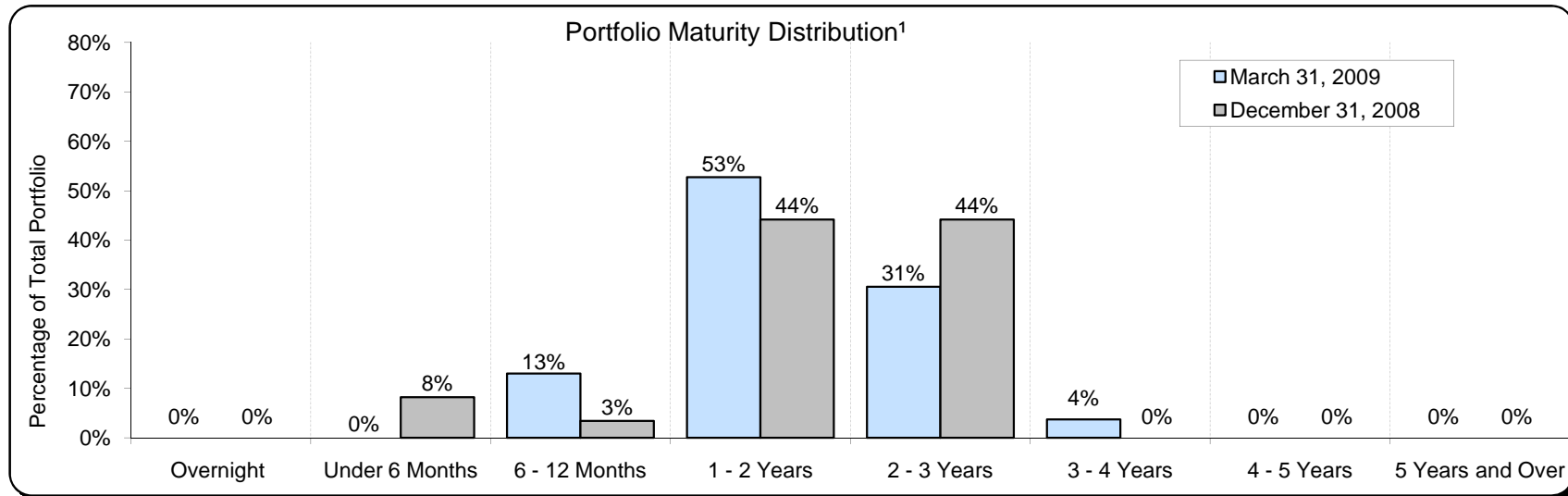


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP.
3. A rating of "TSY" indicates the security is an obligation of, or explicitly guaranteed by the U. S. Government.

Investment Portfolio Maturity Distribution

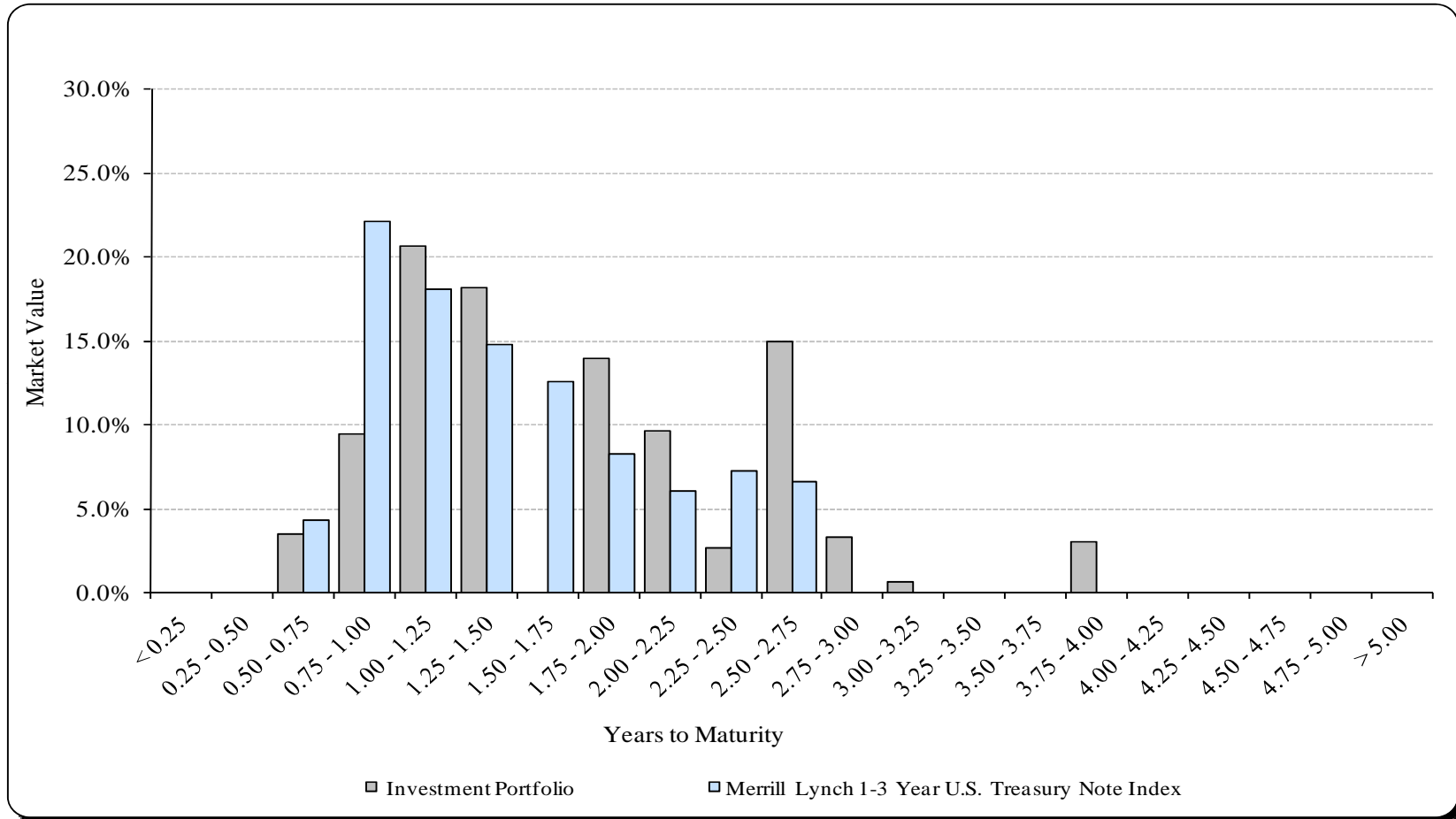
<u>Maturity Distribution¹</u>	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	0.00	2,576,963.20
6 - 12 Months	3,989,890.10	1,074,829.46
1 - 2 Years	16,184,069.59	13,865,782.22
2 - 3 Years	9,370,320.28	13,868,197.34
3 - 4 Years	1,135,003.80	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$30,679,283.77	\$31,385,772.22



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Investment Portfolio Maturity Distribution versus the Benchmark¹



Notes:

1. Due to the nature of the security, Mortgage-Backed Securities are represented based on their average life maturity rather than their final maturity.

Short Term Fund Portfolio Statistics

<u>Account Name</u>	Amortized Cost^{1,2,3} March 31, 2009	Amortized Cost ^{1,2,3} <u>December 31, 2008</u>	Market Value^{1,2,3} March 31, 2009	Market Value ^{1,2,3} <u>December 31, 2008</u>	Duration (Years) March 31, 2009
Short Term Fund	\$1,339,246.63	\$1,336,071.98	\$1,339,556.46	\$1,337,526.35	0.07

<u>Account Name</u>	Quarterly Average Yield to Maturity on Cost⁴ March 31, 2009	Quarterly Average Yield to Maturity on Cost ⁴ <u>December 31, 2008</u>	Quarterly Average Yield to Maturity at Market March 31, 2009	Quarterly Average Yield to Maturity at Market <u>December 31, 2008</u>	Duration (Years) <u>December 31, 2008</u>
Short Term Fund	0.88%	2.32%	0.82%	1.65%	0.07

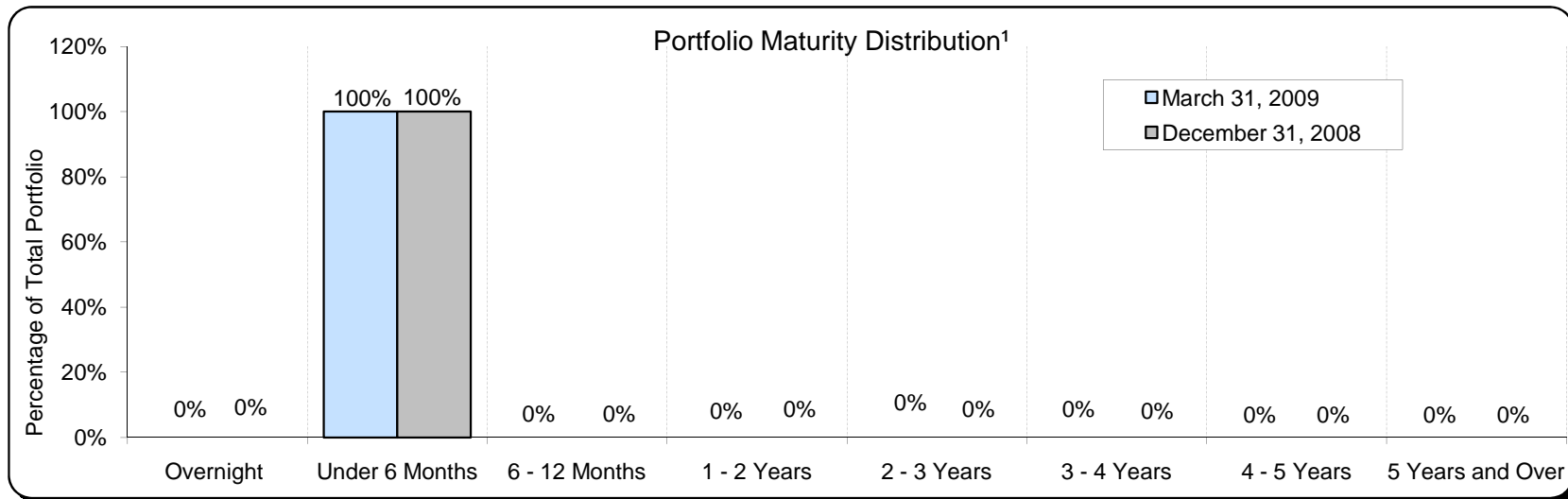
<u>Benchmarks</u>	March 31, 2009	<u>December 31, 2008</u>
3 Month U.S. Treasury Bill Index ^{5, 6}	0.18%	0.12%

Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative of future results.
5. Average quarterly returns, source Bloomberg.
6. Due to its excessive concentration in Corporate Instruments, the SBA is no longer a suitable benchmark, therefore; we are utilizing the 3 Month U.S. Treasury Bill Index at this time, as it represents a risk-free benchmark.

Short Term Fund Portfolio Maturity Distribution

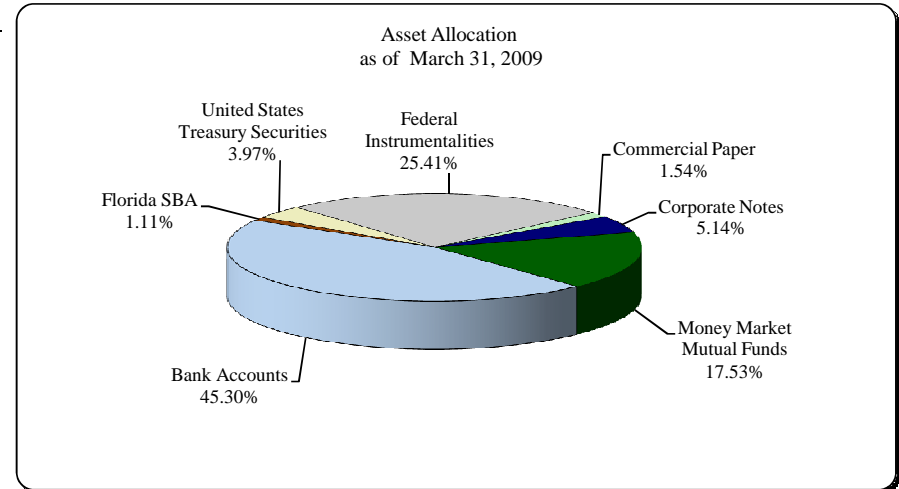
<u>Maturity Distribution</u> ¹	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	1,339,556.46	1,337,526.35
6 - 12 Months	0.00	0.00
1 - 2 Years	0.00	0.00
2 - 3 Years	0.00	0.00
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$1,339,556.46	\$1,337,526.35



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Security Type	March 31, 2009	Notes	Permitted by Policy
Florida SBA	1.11%		100%
United States Treasury Securities	3.97%		100%
United States Government Agency Securities	0.00%		100%
Federal Instrumentalities	25.41%	1	100%
Certificates of Deposit	0.00%		10%
Repurchase Agreements	0.00%		20%
Commercial Paper	1.54%		25%
Corporate Notes	5.14%		15%
Mortgage-Backed Securities	0.00%	1	40%
Bankers' Acceptances	0.00%		25%
State and/or Local Government Debt	0.00%		25%
Money Market Mutual Funds	17.53%		20%
Intergovernmental Investment Pool	0.00%		25%
Bank Accounts	45.30%		100%



Individual Issuer Breakdown	March 31, 2009	Notes	Permitted by Policy
Government National Mortgage Association (GNMA)	0.00%		40%
US Export-Import Bank (Ex-Im)	0.00%		40%
Farmers Home Administration (FMHA)	0.00%		40%
Federal Financing Bank	0.00%		40%
Federal Housing Administration (FHA)	0.00%		40%
General Services Administration	0.00%		40%
New Communities Act Debentures	0.00%		40%
US Public Housing Notes & Bonds	0.00%		40%
US Dept. of Housing and Urban Development	0.00%		40%
Federal Farm Credit Bank (FFCB)	5.64%		40%
Federal Home Loan Bank (FHLB)	5.53%		40%
Federal National Mortgage Association (FNMA)	3.95%		40%
Federal Home Loan Mortgage Corporation (FHLMC)	10.16%		40%
Student Loan Marketing Association (SLMA)	0.00%		0%

Individual Issuer Breakdown	March 31, 2009	Notes	Permitted by Policy
CD - Bank A	0.00%		10%
CD - Bank B	0.00%		10%
Fully collateralized Repo - A	0.00%		10%
Fully collateralized Repo - B	0.00%		10%
Societe Generale CP	1.54%		5%
CP B	0.00%		5%
CP C	0.00%		5%
General Electric Corporate Notes	0.73%		5%
Morgan Stanley FDIC Corporate Notes	1.54%		5%
JP Morgan Chase FDIC Corporate Notes	1.37%		5%
Citigroup FDIC Corporate Notes	1.16%		5%
State Street FDIC Corporate Notes	0.34%		5%
BA Bank A	0.00%		5%
AID Israel Agency Notes	0.13%		40%
Money Market Fund - PFM Funds	17.53%	2	10%
City National Bank Account	36.58%		100%
Bank of America Bank Account	8.71%		100%

Notes:

1. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of March 31, 2009 is 25.41%.

2. In September 2008 CCRF Money Market fund became PFM Funds.

* No Bond Proceeds